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INFO RUEHAC/AMEMBASSY ASUNCION 6519
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STATE FOR WHA/AND LPETRONI
COMMERCE FOR JANGLIN
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TAGS: EMIN EINV ECON PREL PGOV BL

SUBJECT: U.S. MINING COMPANIES EXPRESS CAUTIOUS OPTIMISM

REF: A. LA PAZ 137
1B. LA PAZ 363

SUMMARY

11. (SBU) Coeur d'Alene executives told the Ambassador February 8 that GOB officials may move away from proposed across-the-board tax hikes (ref A) in favor of negotiating increases with individual firms. An Apex Silver executive later told Econoff that Vice President Garcia Linera promised February 6 to establish a technical team to prepare new mining legislation, as he understood that the original draft had failed to meet companies' expectations. Company representatives said they would readily accept individual negotiations and noted that they viewed GOB officials' new, potentially more moderate tone with cautious optimism. End summary.

A NEW DIRECTION?

12. (SBU) Coeur d'Alene CEO Dennis Wheeler told the Ambassador February 8 that GOB officials had hinted at the possibility of moving away from across-the-board tax hikes (ref A) in favor of negotiating tax increases with individual firms. Executives at Comibol, the state-owned mining company, reportedly indicated that the GOB may be willing to consider each company's unique situation, potentially engaging in firm-specific discussions to determine appropriate tax increases. Wheeler viewed the news favorably, noting that Coeur d'Alene is not in principle opposed to tax hikes but is

worried that excessive increases will make it impossible to earn sufficient investment returns.

¶13. (SBU) Apex Silver Vice President Gerardo Garrett later told Econoff that Vice President Garcia Linera promised February 6 to establish a technical team (housed in the presidential palace) to prepare new mining legislation, as he understood that the original draft had failed to meet companies' expectations. Garcia Linera reportedly invited Apex representatives to brief team members on the firm's concerns, opening the door to private sector participation in the drafting process and declaring that he hoped to speak to each firm individually.

COMMENT

¶14. (SBU) Company representatives said they would readily accept individual negotiations and noted that they viewed GOB officials' new, potentially more moderate tone with cautious optimism. While executives are pleased with the GOB's apparent shift away from a "one size fits all" approach and are eager to take advantage of GOB openness in what may be a new drafting process, they note that drawn-out negotiations will do little to resolve lingering uncertainty. According to one executive, companies may now be where they were ten months ago, with little ability to predict the outcome of GOB moves to modify the industry's tax structure.

¶15. (SBU) Comment continued: Company representatives also noted that they have little means of predicting how cooperative-affiliated miners' February 6-7 protests and subsequent "reconciliation" with the GOB (ref B) will affect the industry, as GOB officials have given no indication of how they intend to address the tax issue with cooperatives. Executives point out, however, that the disappearance of one of the industry's strongest sources of opposition to proposed tax hikes will likely weaken firms' negotiating positions.

End comment.

GOLDBERG